

**GUJARAT TECHNOLOGICAL UNIVERSITY**  
**MBA-SEMESTER-IV-EXAMINATION-WINTER-2024**

**Subject Code: 1549503****Date: 16/12/2024****Subject Name: Corporate Restructuring and Valuation****Time: 02:30 PM TO 05:30 PM****Total Marks: 70****Instructions:**

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.
4. Use of simple calculators and non-programmable scientific calculators are permitted.

**Q.1 Explain the following terms: 14**

- (a) Amalgamation
- (b) Reverse Merger
- (c) Divestiture
- (d) Leverage Buyout
- (e) Net Asset Value
- (f) Human Resource Valuation
- (g) Equity Carve Out

**Q.2 (a) Define Corporate Restructuring. Explain various forms of corporate restructuring in detail. 07**

(b) “While due diligence is not an insurance against a bad deal, it certainly provides enough assurance that the due diligence is per se not bad.” In the context of the above statement explain the concept of due diligence and major types of due diligence in brief. 07

**OR**

(b) Distinguish between ‘hostile takeover’ and ‘friendly takeover’. What are the strategies adopted by the acquiring firm in case of a hostile takeover? 07

**Q.3 (a) “The discounted cashflow (DCF) approach is conceptually the most ideal among various approaches for the business valuation.” Justify this statement 07**

(b) Following are the particulars of two companies, A Ltd and T Ltd: You are required to calculate exchange ratio and value of firm based on Market price. Consider A Ltd as Acquirer & T Ltd as Target firm 07

| Particulars               | A Ltd    | B Ltd  |
|---------------------------|----------|--------|
| EAT (Rs)                  | 2,00,000 | 60,000 |
| No. of Shares outstanding | 8000     | 4000   |
| P/E Ratio                 | 8        | 5      |

**OR****Q.3 (a) What are the major weaknesses of P/E ratio as a technique of share valuation? In spite of such limitations, why is it so popular? 07**

(b) ABC Limited is growing at an above average rate. It foresees a growth rate of 20 % PA in free cash flow to equity holders in the next 4 years. It is likely to fall to 12 % in the next 2 years. After that the growth rate is expected to stabilise at 5 % PA. the amount of free cash flow (FCFF) per equity share at the beginning of current year is Rs 10. Find out the maximum price

at which an investor, followers of free cash approach, will be prepared to buy the company's shares as on date, assuming an equity capitalisation rate of 14 %. **07**

**Q.4 (a)** Define Intangibles and explain in detail the reasons to Conduct Intangible Valuationx **07**

**(b)** A Ltd. is considering takeover of B Ltd. and C Ltd. The financial data for the three companies are as follows: **07**

| Particulars                                      | A Ltd | B Ltd | C Ltd |
|--|-------|-------|-------|
| Equity Share Capital of Rs. 10 each (Rs. crores) | 450   | 180   | 90    |
| Earnings (Rs. crores)                            | 90    | 18    | 18    |
| Market price of each share (Rs.)                 | 60    | 37    | 46    |

Calculate:

- 1) Price earnings ratios
- 2) Earnings per share of A Ltd. after the acquisition of B Ltd. and C Ltd. separately. Will you recommend the merger of either/both of the companies? Justify your answer

**OR**

**Q.4 (a)** Explain with an example comparable company and transaction analysis method. **07**

**(b)** ABC Ltd. is acquiring XYZ Ltd., which has a strong brand. As a financial analyst, explain how you would value the brand of XYZ Ltd. for the merger and which method you would use. **07**

### **Q.5 Tata Steel's Acquisition of Corus Group**

**Introduction:** In 2007, Tata Steel, an Indian steel manufacturing company, acquired Corus Group, a British-Dutch steel company, in a landmark deal valued at \$12.1 billion. This acquisition made Tata Steel the fifth-largest steel producer in the world at the time. The acquisition was part of Tata Steel's strategy to expand its global footprint and enter the European market.

**Background:** Before the acquisition, Tata Steel was primarily operating in India, with a production capacity of 5 million tons of steel per year. Corus, on the other hand, had a larger capacity, producing 18 million tons annually but was facing financial struggles. Tata Steel saw this as an opportunity to leverage Corus's advanced technology and access to European markets, while Corus could benefit from Tata's low-cost production techniques.

**The Deal:** Tata Steel won a bidding war against Brazilian steelmaker CSN to acquire Corus for \$12.1 billion. The acquisition allowed Tata Steel to gain access to Corus's strong presence in Europe, its customer base, and its advanced steel-making technology.

**Post-Acquisition Strategy:** After the acquisition, Tata Steel focused on integrating the two companies and realizing the synergies, including lowering production costs and improving operational efficiency. Tata Steel also aimed to use Corus's expertise to expand into high-end steel products.

**Challenges:** The acquisition, while strategically sound, posed several challenges. Tata Steel had to manage cultural differences between the two companies, and the global financial crisis of 2008 soon after the acquisition affected the global steel industry, putting pressure on Tata Steel's finances.

**(a)** Why did Tata Steel acquire Corus? What were the main benefits Tata Steel hoped to achieve from this acquisition? **07**

**(b)** How did the acquisition of Corus help Tata Steel grow globally? Explain the importance of expanding into new markets for a company. **07**

**OR**

**(a)** What challenges did Tata Steel face after acquiring Corus? How can a company overcome difficulties after a merger or acquisition? **07**

**(b)** In your opinion, was the Tata-Corus acquisition successful? Why or why not? **07**

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